

**State of California  
California Environmental Protection Agency**

**AIR RESOURCES BOARD**

**DRAFT IMPLEMENTATION MANUAL  
FOR THE HYBRID TRUCK AND BUS  
VOUCHER INCENTIVE PROJECT**

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**Working Group DRAFT  
For Discussion Only  
6/12/2009**

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## EXECUTIVE SUMMARY

The purpose of the Hybrid Truck and Bus Voucher Incentive Project (HVIP) is to offset about half of the incremental additional cost of eligible hybrid medium- and heavy-duty vehicles. This in turn helps with commercialization of these technologies and supports a critical ramp-up in production that is necessary to meeting our clean air goals. The HVIP provides grants of up to \$35,000 to qualified public agencies, non-profit organizations, and other entities for the purchase of an eligible hybrid vehicle between XX and June 30, 2012. The HVIP will be administered and implemented through a partnership between ARB and a third-party Project Manager, selected via a competitive ARB solicitation. Hybrid truck and bus manufacturers, dealers, and purchasers will also play a key role in ensuring the success of the HVIP.

During previous program reviews of ARB's Carl Moyer Program, the California Department of Finance and Bureau of State Audits have recommended that our incentive programs have clear and specific guidelines defining requirements and responsibilities for project administration, implementation and oversight.<sup>1</sup> Clear definition of project requirements and responsibilities help ensure program transparency and accountability, while safeguarding the integrity of public funds. ARB has used the lessons learned from these program reviews as well as its experience running its longstanding incentive programs in developing the HVIP Implementation Manual.

The HVIP Implementation Manual, in conjunction with the Air Quality Improvement Program (AQIP) Guidelines and AQIP Funding Plan for Fiscal Year 2009-10, identifies the minimum requirements for administration, implementation, and oversight of the HVIP. The draft Implementation Manual is a work in progress and will continue to be refined through the HVIP Project Manager selection period (See Table 1 on Page X for the HVIP development timeline). The selected HVIP Project Manager will have the opportunity to recommend updates to the Implementation Manual as part of project start-up.

ARB has committed up to \$10 million of HVIP projects as an in-kind match contribution for federal American Recovery and Reinvestment Act (ARRA) applications to fund additional hybrid trucks and buses. Should California be granted these additional ARRA funds, the HVIP Implementation Manual may be modified to ensure compliance with potentially differing federal reporting, recordkeeping, and other requirements. The Project Manager may also recommend periodic updates to the Implementation Manual as needed to clarify project requirements and improve project effectiveness. The HVIP Implementation Manual, including any updates, will be posted on the HVIP webpage.

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<sup>1</sup> The California Department of Finance Evaluation and Bureau of State Audits Report regarding implementation of the Carl Moyer program can be found at:  
[www.arb.ca.gov/msprog/moyer/audits/audits.htm](http://www.arb.ca.gov/msprog/moyer/audits/audits.htm)

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**IMPLEMENTATION MANUAL**  
**FOR THE HYBRID TRUCK AND BUS VOUCHER INCENTIVE PROJECT**

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- A. Draft Hybrid Vehicle Eligibility Application
- B. Lower-Emission School Bus Program Policy Advisory 08-006
- C. Draft List of Eligible Vehicle Models (*pending*)
- D. Draft Sample Voucher Request Form (*to be developed by the Project Manager*)
- E. Draft Sample Vehicle Voucher (*to be developed by the Project Manager*)
- F. Draft Sample Voucher Redemption Form (*to be developed by the Project Manager*)
- G. Draft Quarterly Project Manager Reporting Form (*to be developed by the Project Manager*)

## 1.0 INTRODUCTION

In 2007, Governor Schwarzenegger signed into law the *California Alternative and Renewable Fuel, Vehicle Technology, Clean Air, and Carbon Reduction Act of 2007* (AB 118, Statutes of 2007, Chapter 750). The Act created the Air Quality Improvement Program (AQIP), a voluntary incentive program administered by ARB, to fund clean vehicle and equipment projects, air quality research, and workforce training. ARB's appropriation for AQIP projects in the fiscal year (FY) 2009-10 State Budget is \$XX million.

In April 2009, ARB adopted the AQIP Guidelines which establish minimum administrative and implementation requirements, providing the overarching rules for how ARB will run this incentive program. The AQIP Guidelines include the procedures for issuing project solicitations and selecting projects. The HVIP solicitation has been developed in accordance with the provisions of the AQIP Guidelines.

In April 2009, ARB also approved the AQIP Funding Plan for Fiscal Year 2009-10 (Funding Plan), which serves as the blueprint for expending FY 2009-10 AQIP funds. The Funding Plan establishes ARB's priorities for the funding cycle, describes the projects ARB will fund in FY 2009-10, and sets funding targets for each project. Under the Funding Plan, AQIP funds will be focused on supporting development and deployment of the advanced technologies needed to meet California's longer-term, post 2020 air quality goals. The Funding Plan establishes the HVIP as the cornerstone of the AQIP for FY 2009-10, accounting for about 60 percent of this year's funds.

This report constitutes the ARB's Implementation Manual for the HVIP (Implementation Manual). The purpose of this incentive project is to offset about half of the incremental cost of eligible hybrid medium- and heavy-duty vehicles. This, in turn, helps with commercialization of these technologies and supports a critical ramp-up in production that is necessary to meeting our clean air goals. The project provides grants of up to \$35,000 to qualified individuals, businesses, public agencies and entities, and non-profit organizations for the purchase of an eligible hybrid vehicle. The HVIP will be administered and implemented through a partnership between ARB and a third-party Project Manager, selected via a competitive ARB solicitation. Hybrid truck and bus manufacturers, dealers, and purchasers will also play a key role in ensuring the success of the HVIP.

This Implementation Manual, in conjunction with the AQIP Guidelines and AQIP Funding Plan, identifies the minimum requirements for administration, implementation, and oversight of the HVIP.

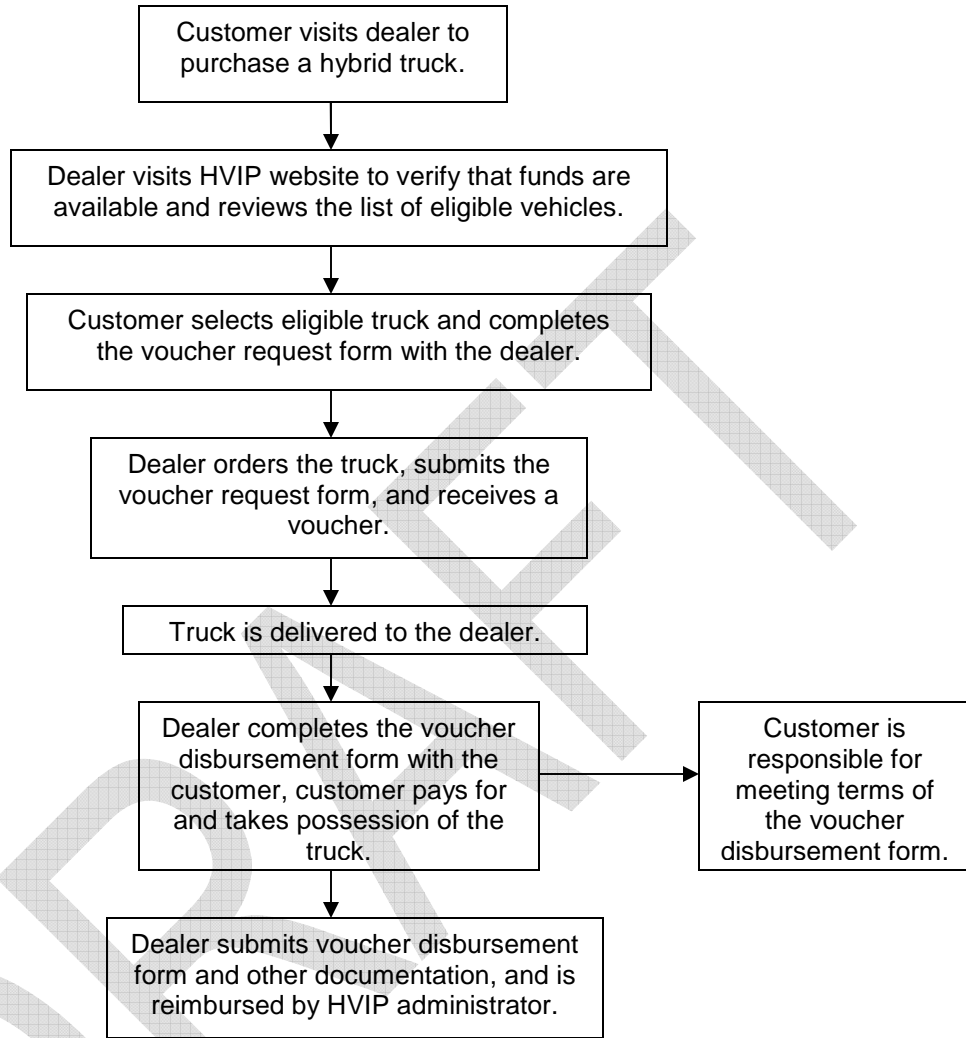
## **2.0 PROJECT IMPLEMENTATION**

### **2.1 Project Framework**

Figure 2.1 describes a hypothetical truck dealer sale and voucher reimbursement transaction to illustrate how the HVIP will be implemented. The HVIP will enable the buyer of an eligible hybrid truck or bus to receive a voucher for the incentive amount, which will be redeemable at the time of the vehicle purchase.

The HVIP website will include a list of eligible hybrid trucks and buses, as well as the eligible voucher amount for each vehicle. The webpage will include a voucher request form for the dealer, in concert with the purchaser, to submit at the time a specific vehicle is ordered. The voucher is redeemable at the time the vehicle is purchased. A similar structure also applies for vehicles which are ordered directly from a hybrid truck manufacturer or a truck equipment manufacturer (TEM).

**Figure 1: Example Hybrid Truck or Bus Purchase Transaction**





Key timelines for HVIP development and implementation are identified in Table 1 (below).

**Table 1: Proposed HVIP Development and Implementation Timeline**

Action Item	Date or Time Period
Solicitation for HVIP Project Manager	July 2009
HVIP Project Manager selected	September 2009
HVIP Project Manager develops project webpage, conducts outreach and dealer training. Implementation Manual and voucher forms finalized	September - October 2009
Vehicle funding becomes available	Late October 2009 (until depleted)
Quarterly Status Report to ARB Project Contact	January 2010 – June 2012

This timeline assumes the FY 2009-10 California budget is signed on July 1, 2009; a budget delay would result in a commensurate delay in project tasks.

## 2.2 ARB Responsibilities

ARB is responsible for:

- Development of the Draft HVIP Implementation Manual (the Implementation Manual will be finalized in consultation with the Project Manager).
- Selecting the Program Manager.
- Evaluating and approving non-ARB certified vehicles for HVIP eligibility, and provide the Project Manager an up-to-date list of eligible vehicles.
- Participating in regular meetings with the Project Manager to discuss project refinements and guide project implementation.
- Review and approval of project elements provided by the Project Manager, such as the HVIP webpage, voucher payment verification, and progress reports.
- Distribution of project funds to the Project Manager.
- Project oversight and accountability.
- Meet all applicable requirements of statute, the AQIP Guidelines and Funding Plan (adopted by the Board on April 24, 2009), the HVIP solicitation, the grant agreement with the Project Manager, and the HVIP Implementation Manual. The AQIP Guidelines and Funding Plan are available at: [www.arb.ca.gov/msprog/aqip/aqip.htm](http://www.arb.ca.gov/msprog/aqip/aqip.htm).

ARB shall also designate an ARB Program Contact as the contact person for coordination with the Project Manager. The ARB Program Contact for the HVIP in FY 2009-10 is Mr. Joe Calavita. Mr. Calavita can be reached by e-mail at [jcalavit@arb.ca.gov](mailto:jcalavit@arb.ca.gov) or by telephone at (916) 445-4586.

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## **2.3 Project Manager Responsibilities**

The Project Manager is responsible for on-the-ground project implementation, including the following tasks:

- Conduct the outreach necessary for the project to be successful.
- Develop a user-friendly public webpage to:
  - Include a list of eligible vehicles and each vehicle's eligible voucher amount
  - Provide voucher request and voucher redemption forms
  - Track total HVIP funds available and expended in real time
- Ensure participating vehicle dealers and purchasers meet all applicable HVIP requirements.
- Use the criteria in this Implementation Manual to review and approve voucher requests.
- Distribute voucher payments to vehicle dealers for eligible vehicle purchases.
- Track reservation and expenditure of HVIP grant funding.
- Closely communicate with the ARB to ensure that the most current vehicle eligibility list is being used.
- Provide a quarterly report to the ARB detailing vouchers awarded for ordered vehicles and redeemed for purchased vehicles. The grant agreement with the Project Manager may specify an electronic format for quarterly reporting, as needed for transparent and effective data tracking.
- Provide ARB a mechanism for receiving three years of annual reports from vehicle purchasers.
- Meet all applicable requirements of statute, the AQIP Guidelines and Funding Plan, ARB's HVIP solicitation, the HVIP grant agreement with ARB, and this Implementation Manual.

Project Manager responsibilities encompass three phases of project implementation – project development, project implementation, and project activity reporting.

## **2.4 Vehicle Dealer Role**

Hybrid truck and bus dealers play a central role in the HVIP's success. The Project Manager shall work with ARB to develop a list of dealerships eligible to participate in the HVIP, and to receive a commitment from these dealers to comply with all applicable project requirements. The eligible dealership list will be used to streamline project access while ensuring project transparency and accountability. The following entities are considered eligible vehicle dealers for the purposes of the HVIP:

- A hybrid truck or bus dealer which has a valid California business license for the past two years and has an official dealer number.
- On original hybrid truck or bus vehicle manufacturer (such as International Truck and Engine Corporation, Kenworth Truck Company, or Peterbilt Motors)

Company) which manufactures HVIP-eligible vehicles and sells those vehicles directly to fleets.

- A hybrid truck or bus TEM which has a valid California business license for the past two years. TEMs with a business license outside of California may be eligible to participate in the HVIP on a case-by-case basis.

The HVIP is intended to lower the vehicle price for the vehicle purchaser by the full voucher amount. Vehicle dealers must deduct the full voucher amount from the vehicle purchase price.

A sample voucher request form, vehicle voucher, and voucher redemption form can be found in Appendices E, F, and G, respectively. The voucher request form and voucher redemption form both act as legally binding and enforceable agreements to meet the requirements of the project. The dealer is responsible for ensuring the accuracy of the vehicle and dealership information on all voucher request or redemption forms it submits to the Project Manager. Submission of false information on either of these forms may be punishable by X, Y, and Z. Dealers which submit false information to the Project Manager or inflate the price of funded hybrid vehicles may be required to return the full voucher amount to the Project Manager or ARB, and may be excluded from future participation in the HVIP. Participating dealers must provide ARB (or its designee) and the Project Manager – upon request of these authorized agencies – with all files and relevant information related to any vehicle purchased with an HVIP voucher.

## 2.5 Vehicle Purchaser Role

The hybrid truck or bus purchaser is responsible for completing the voucher request and redemption form with the dealer and for the paying the non-voucher portion of the vehicle cost. To receive an HVIP voucher, a vehicle purchaser must:

- Be an individual, business, non-profit, or government entity which is based in California or has a California-based affiliate.
- Maintain insurance as required by law.
- Commit to operate the vehicle 100 percent within California for at least three years after the voucher redemption date. Vehicles registered in a county that borders another state and emergency response vehicles may be granted permission to operate up to 25 percent of the time outside of California if requested and justified on the voucher request form.
- Not make or allow any modifications to the vehicle's emissions control systems, hardware, software calibrations, or hybrid system.
- Submit annual usage surveys for three years.
- Commit that any emission reductions generated by the purchased hybrid vehicle will not be used as marketable emission reduction credits, to offset any emission reduction obligation of any person or entity, or to generate a compliance extension or extra credit for determining regulatory compliance.
- Allow ARB, the Project Manager, or their designee to verify the hybrid vehicle registration with the California Department of Motor Vehicles (DMV).
- Be available for follow-up inspection if requested by the Project Manager or ARB.
- Ensure that if the vehicle is resold within the three year period, that the new purchaser is provided information about the voucher rebate amount and applicable voucher project requirements, and commits in writing to meet all applicable requirements of the HVIP. The Project Manager must be provided a copy of the DMV documentation of the vehicle sale within 30 calendar days of any vehicle resale that occurs within three years of the voucher being redeemed.

The vehicle purchaser is responsible for ensuring the accuracy of the vehicle and vehicle purchaser information on the voucher request and redemption forms.

Submission of false information on either of these forms is punishable by X, Y, and Z. A vehicle purchaser must provide ARB (or its designee) and the Project Manager – upon request of these authorized agencies – with all files and relevant information related to any vehicle purchased with an HVIP voucher. Vehicle purchasers which submit false information to the Project Manager may be required to return the full voucher amount to the Project Manager or ARB, and may be excluded from future participation in the HVIP.

### Vehicle Lease or Rental Agencies

A vehicle purchaser which leases or rents a vehicle within three years of the HVIP voucher redemption date must disclose the voucher amount and voucher terms to any entity which leases or rents the vehicle within that three year period. The lease or rental agreement must include any commitments needed from the leasee or renter to ensure that 1) the vehicle operates in California as required by the voucher redemption form

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and 2) all required annual activity reports will be submitted to ARB. The vehicle purchaser (rather than the leasee or renter) is responsible for ensuring annual activity reports are accurate and are submitted as required. An HVIP voucher can be provided at time of vehicle purchase only, and is not provided at the time a vehicle is leased or rented.

## **2.6 Requesting a Voucher**

An HVIP voucher shall only be provided for a specific vehicle on order or purchased by a specific customer. The dealer must work with the vehicle purchaser to complete the HVIP voucher request form -- available on the HVIP webpage -- for the hybrid vehicle. Only vehicles listed as eligible on the HVIP webpage may receive a voucher. The maximum voucher amount for each eligible vehicle is also provided on the HVIP webpage.

The Project Manager shall, in coordination with ARB, develop a system for dealers to quickly, effectively, and transparently request and redeem vouchers. The HVIP webpage shall include all the information necessary for the dealer, in conjunction with the vehicle purchaser, to complete and submit the voucher request. Only completed and accurate voucher request forms will be accepted by the Project Manager. The Project Manager will review the voucher request form for eligibility and provide vouchers on a first-come, first served basis until HVIP funds are depleted. It is the Project Manager's responsibility to notify any dealer in writing within five business days of the reason for a rejected voucher request.

### **Renewal of Voucher Reservation**

An HVIP voucher will be valid for 120 calendar days from the time it is issued by the Project Manager. A voucher may be renewed by the participating dealership beginning two weeks before the voucher expiration date if the vehicle identified on the voucher has not yet been delivered for purchase. A voucher can be renewed only one time (for a total of 240 days). Renewal of the voucher automatically reserves the eligible vehicle's and customer's voucher funding for an additional 120 days. A voucher which is not renewed within its 120 day reservation period will be deemed expired and the voucher funds will be allocated to the next eligible HVIP participant. A voucher for a vehicle which has not been delivered for purchase after 240 calendar days may be reserved again on a case-by-case basis at the request of the dealer. A decision regarding extension of the voucher reservation beyond 240 days shall be made by the Project Manager in consultation with ARB, and shall be based upon factors such as the projected vehicle delivery date, the good faith efforts of the dealer and purchaser to complete the purchase, and demand from other participants for remaining available HVIP funding. The project manager must maintain written documentation regarding approval of voucher reservations beyond the 240 day period.

## 2.7 Voucher Redemption

Once a vehicle has been delivered and purchased, the dealer must submit the voucher and required documentation to the Project Manager for redemption. A voucher will only be honored if the vehicle and customer listed on the voucher match that in the completed purchase transaction. HVIP vouchers must also meet the following criteria:

- An HVIP voucher can only be redeemed upon vehicle delivery and final payment by the customer.
- A copy of the delivery confirmation, vehicle invoice, vehicle registration, and vehicle identification number must be provided to confirm delivery.
- The vehicle invoice must show that the voucher amount has been discounted from the vehicle purchase price.
- The vehicle must be registered with the DMV, and the Gross/Combined Gross Vehicle Weight Range on the DMV registration must be consistent with the vehicle's base vehicle incentive identified in Table 2.
- It is the goal of the HVIP to provide payment to the dealership within seven calendar days from the time the eligible voucher redemption form and associated documentation is provided to the Project Manager. If the voucher payment is delayed for more than 14 calendar days from the time the eligible voucher redemption form and associated documentation is provided, the Project Manager must notify the dealership by phone or e-mail at the earliest possible time of such delay.
- A voucher shall only be redeemed if the vehicle and purchasing customer match that on the original voucher request form. ARB, the Project Manager, and the HVIP are not responsible for payment of a voucher if the vehicle or purchasing customer do not match those described on the voucher request form. If the dealer has a new customer for a delivered vehicle and HVIP funds are still available, the dealer and new purchaser may request a new voucher.

## 2.8 Qualifying Vehicles

### Vehicle Eligibility

Hybrid medium- and heavy-duty vehicles which are ARB-certified are automatically eligible for HVIP voucher funding, provided they meet all other applicable program requirements. In order for *hybrid heavy-duty vehicles which are not ARB-certified* to be eligible for the HVIP, a vehicle manufacturer must:

- (a) have its vehicle listed by the Internal Revenue Service (IRS) as eligible for a federal tax credit pursuant to the Energy Policy Act of 2005 (the current IRS list of Qualified Heavy Hybrid Vehicles is found at: [www.irs.gov/businesses/article/0,,id=175456,00.html](http://www.irs.gov/businesses/article/0,,id=175456,00.html)); and
- (b) complete the Vehicle Eligibility Application Form found in Appendix A. Only vehicles which can demonstrate that the vehicle hybrid platform, engine, and after-treatment devices will continue to function as required and that the

vehicle's air quality benefits are achieved will be approved for HVIP funding eligibility.

ARB is responsible for developing and updating the list of vehicles eligible for an HVIP voucher. The list of eligible vehicles as of (insert date here) may be found in Appendix C.

#### Vehicle Requirements

To be eligible for a voucher, the vehicle must also meet the following requirements:

- The vehicle must have a GVWR of at least 10,000 pounds.
- The vehicle must use an ARB-certified engine. The engine size must be appropriate for the intended service class of the hybrid vehicle in which it is used:
  - A light heavy-duty diesel engine may be used in a vehicle up to 23,000 GVWR
  - A medium heavy-duty diesel engine may be used in a vehicle up to 38,000 GVWR
  - A heavy heavy-duty diesel engine may be used in a vehicle up to 80,000 GVWR
- The vehicle must be a commercial or public fleet vehicle. Passenger vehicles are not eligible for HVIP funding.
- A vehicle must draw propulsion energy from onboard sources of stored energy that are both an internal combustion or heat engine using consumable fuel, and a rechargeable energy storage system. This definition does not exclude plug-in hybrid trucks or buses.
- The chassis must be titled and licensed in California, and the vehicle must be California-registered.
- The vehicle must be purchased from a participating dealer (see Section 2.4)
- The vehicle must be new and be a 2009 or newer model year. Used vehicles are not eligible for HVIP funding.
- Modifications to engine performance (including changes in horsepower), emissions characteristics, engine emission components (not including repairs with like-original equipment manufacturers replacement parts), or any other modifications to the engine's emission's control function is not allowed.
- The vehicle must have at least one service provider within California.

## 2.9 Vehicle Voucher Amounts

Eligible hybrid vehicles may receive an HVIP voucher for up to the funding amounts identified in Table 2. These voucher amounts correspond to approximately one-half of the incremental cost of a hybrid truck or bus.

**Table 2: Eligible Hybrid Truck and Bus Voucher Amounts**

Vehicle Weight	Base Vehicle Incentive <sup>1</sup>	Additional Incentive for ARB Vehicle Certification
10,001 – 14,000 lbs.	\$10,000	none
14,001 – 26,000 lbs.	\$20,000	\$5,000
26,001 – 33,000 lbs.	\$25,000	
> 33,000 lbs.	\$35,000	

<sup>1</sup>The first HVIP-eligible hybrid truck or bus purchased by a single fleet is eligible for an additional \$5,000 voucher.

### Additional Incentive for ARB-Certified Hybrids

A heavy-duty hybrid vehicle (i.e. a vehicle above 14,000 lbs.) which has been ARB-certified is eligible for an additional \$5,000 voucher amount, since ARB-certified vehicles' criteria pollutant emission reductions have been verified, and these vehicles are demonstrated to meet ARB durability requirements. This additional voucher amount will be reflected in the voucher received by the dealer when the hybrid vehicle is ordered. If a vehicle becomes ARB-certified while the vehicle is on order, but before the vehicle has been purchased by the customer, that vehicle will be eligible to receive the additional \$5,000 voucher amount if HVIP funding is still available. Hybrid medium-duty vehicles (weighing between 10,000 and 14,000 lbs.) are not eligible for an additional \$5,000 incentive for ARB certification, because medium-duty vehicles are required to be ARB-certified to be sold in California.

### Additional Incentive for the First Vehicle Purchased

To further encourage participation by small fleets, the first HVIP-eligible hybrid truck or bus purchased by any single fleet is eligible for an additional \$5,000 voucher. For example, a truck owner-operator purchasing just one truck would be eligible for an additional \$5,000 voucher for that vehicle, while a larger fleet buying several trucks would also receive one \$5,000 voucher for the first vehicle purchased. To ensure that funds are not monopolized by one entity, no single fleet is eligible to receive more than 100 HVIP vouchers. For the purposes of this Implementation Manual, vehicles under common ownership or control are considered part of a single fleet even if they are part of different subsidiaries, divisions, or other organizational structures of a company or government agency.

## 2.10 Opportunities for Additional Vehicle Cost Buy-Down

The HVIP is intended to allow public agencies and private fleets to augment HVIP funds with other sources of public funding. Examples of program funds that may be combined with HVIP funds include:



- Lower-Emission School Bus Program: The Lower-Emission School Bus Program (LESBP) provides up to \$140,000 per bus to help replace an existing older school bus with a new diesel or alternative-fueled school bus. However, this funding amount is not likely to cover the cost of a hybrid school bus, which is typically about \$200,000. The HVIP allows for LESBP and an HVIP voucher to be combined to pay for up to the full cost of a new hybrid school bus.
- Goods Movement Emission Reduction Program: The Proposition 1B: Goods Movement Emission Reduction Bond Program provides incentives for fleets involved in goods movement to replace an existing vehicle with a new model. A new hybrid vehicle receiving funds from this program is not prohibited from receiving an HVIP voucher (*note: pending 2009 Goods Movement Program Guideline update approval by the Board*)
- Local Air District Funds: Local air districts may augment HVIP vouchers with additional local funding for hybrid trucks or buses, effectively offering an additional buy-down of the vehicle incremental cost.
- Federal Stimulus Package: The American Recovery and Investment Act of 2009 (ARRA) has over \$1 billion in funds nationally for energy conservation and air quality improvement incentives. Fleets may combine ARRA or other federal hybrid truck and bus funding with HVIP funding to further buy-down the incremental cost of eligible vehicles.

HVIP funds may not be combined with Carl Moyer Program funds due to the Carl Moyer Program's enabling statute.

While the HVIP has no prohibition on combining funds from other programs to further buy-down a vehicle's incremental cost, these combined funds should not exceed the vehicle's incremental cost. For the purposes of simplicity, a vehicle's incremental cost is assumed to be twice the HVIP base incentive (since the HVIP voucher amount reflects about half of a hybrid vehicle's incremental cost), plus \$5,000 for an ARB-certified vehicle. The maximum allowable amount of HVIP funding plus any other public agency funding is therefore twice the HVIP base incentive, plus any additional \$5,000 incentive for ARB-certification and for the first voucher redeemed by a single fleet (See Table 3, below). For example, if the HVIP base incentive amount is \$25,000, the total HVIP voucher amount plus any other public incentive for that vehicle may not exceed \$50,000 for a non-ARB-certified vehicle or \$55,000 for an ARB-certified vehicle, plus \$5,000 for the first vehicle purchased.

**Table 3: Assumed Hybrid Truck and Bus Incremental Cost**

Vehicle Weight	Base Vehicle Incentive	Assumed Incremental Cost	
		Not ARB-Certified	ARB-Certified
10,001 – 14,000 lbs.	\$10,000	\$20,000	
14,001 – 26,000 lbs.	\$20,000	\$40,000	\$45,000
26,001 – 33,000 lbs.	\$25,000	\$50,000	\$55,000
> 33,000 lbs.	\$35,000	\$70,000	\$75,000

The first HVIP-eligible hybrid truck or bus purchased by a single fleet is eligible for an additional \$5,000 voucher.

#### Example Calculations

This section provides example calculations of the maximum allowable HVIP voucher amount, based upon assumptions regarding other potential funding sources. These examples are for illustrative purposes only. The actual maximum voucher amount will depend upon each specific circumstance.

*Air District Grant.* A local air district grant of \$35,000 for a non-ARB certified hybrid utility truck of 30,000 lbs. GVWR would cover most of that vehicle's assumed \$50,000 incremental cost (See Table 3). As a result, the maximum allowable HVIP voucher amount would be \$15,000.

$$\begin{aligned} & \$50,000 \text{ full incremental cost} \\ & - \underline{\$35,000 \text{ air district grant}} \\ & = \$15,000 \text{ maximum HVIP voucher} \end{aligned}$$

The vehicle would be eligible for an additional \$5,000 voucher (or \$20,000 in HVIP funding) if the voucher is the first redeemed by the purchaser.

*Federal Stimulus Funding.* A federal grant of \$50,000 for an ARB-certified hybrid trash truck of 35,000 lbs. GVWR would cover most of that vehicle's assumed \$75,000 incremental cost (See Table 3). As a result, the maximum allowable HVIP voucher amount would be \$25,000:

$$\begin{aligned} & \$75,000 \text{ full incremental cost} \\ & - \underline{\$50,000 \text{ federal grant}} \\ & = \$25,000 \text{ maximum HVIP voucher} \end{aligned}$$

The vehicle would be eligible for an additional \$5,000 voucher (or \$30,000 in HVIP funding) if the voucher is the first redeemed by the purchaser.

*Lower-Emission School Bus Program.* School buses purchased by public school districts eligible to receive LESB new bus funding are not subject to incremental cost prohibition described in this section (See Appendix B for guidance regarding what qualifies as a public school district). For these public school district purchases, the HVIP and other total local, state, or federal public incentives may not exceed the total hybrid school bus purchase price. For example, if a new \$200,000 hybrid school bus

receives \$140,000 in LESB funding, and \$25,000 in school district LESB match funding, the maximum allowable HVIP voucher amount is calculated as:

$$\begin{array}{r} \$200,000 \text{ full cost of new hybrid school bus} \\ - \$140,000 \text{ LESB grant} \\ - \underline{\$25,000 \text{ district match}} \\ = \$35,000 \text{ maximum HVIP voucher} \end{array}$$

In each of the above examples, the HVIP incentive may not exceed the voucher amount identified for each vehicle weight class identified in Table 2.

### **3.0 PROJECT ADMINISTRATION**

#### **3.1 Background**

This section defines the respective roles of the ARB and the Project Manager in administering the HVIP.

#### **3.2 Disbursement of Vehicle Funding to the Project Manager**

The success of the HVIP is contingent upon hybrid vehicle dealerships deducting the voucher amount from the vehicle purchase price at the time the customer makes the purchase. A dealership is more likely to accept the voucher's cash value at the time of purchase if the voucher is redeemed quickly. As such, the Project Manager will receive ten percent of HVIP voucher funding as seed money at project start-up in order to turn around voucher redemptions from dealers within one to two weeks. Adequate additional funds will be provided to the Project Manager on a set schedule as needed to quickly and efficiently redeem vouchers. The voucher assignment at the time a vehicle is ordered will serve as the justification for the Project Manager to request additional funds from ARB.

##### Quarterly Encumbrance and Expenditure Report

The Project Manager must report to ARB at least quarterly on the vehicles and associated voucher amounts assigned and redeemed to date (See Appendix H for a sample a Sample Quarterly Project Manager Reporting Form). The quarterly report must include the following information:

- Number of voucher request forms received
- Number and amount of vouchers awarded broken out by vehicle
- Copies of all vouchers redeemed during the reporting period.
- Remaining grant funding available
- Identified problems or concerns

The quarterly report provides a mechanism for the Project Manager to justify a need for an additional HVIP funding increment from ARB. The Project Manager may request a funding amount up to that needed to pay off vouchers which have been assigned and

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not yet redeemed. The quarterly report must be submitted at least every three months, but may be provided on a monthly or bi-monthly basis if needed to justify additional funding from ARB.

### **3.3 Schedule for Disbursement of Administration Funding**

The Project Manager may use up to \$X, or the amount committed to in its HVIP funding application, whichever is less, for project administration and outreach. The Project Manager shall receive funding for project administration on the following schedule:

- \$X (30 percent of project administration funds) at the time the Grant Agreement is signed for outreach, to develop the webpage, and other project start-up costs
- \$Y (30 percent of administration funding) after half of vehicle funding is expended, and the complete and accurate reports demonstrating fund expenditure for these vehicles have been supplied to ARB
- \$Z (30 percent of administration funding) after all vehicle funding is expended, and the complete and accurate reports demonstrating fund expenditure for these vehicles have been supplied to ARB
- \$Q (10 percent of administration funding) after ARB has received and approved the Project Manager's mechanism for receiving vehicle annual activity reports and ARB has received all intellectual property and data needed to ensure continued smooth implementation of the HVIP (see Sections 3.4 and 3.5, below).

### **3.4 Intellectual Property**

The Project Manager selected via competitive solicitation in 2009 is responsible for implementation of the \$XM HVIP project approved by the Board as part of the AQIP Funding Plan for FY 2009-10. Should the HVIP receive additional funding in FY 2010-11, the ARB is required to select a Project Manager for these future year funds via another competitive solicitation. The Project Manager selected to administer FY 2009-10 HVIP funding is encouraged to apply to manage the HVIP in subsequent funding years.

Any webpage(s), software or other intellectual property developed or purchased by the Project Manager for the purposes of administering or implementing the HVIP are the property of ARB. Should a different Project Manager be selected to manage the HVIP in subsequent funding years, it will be the Project Manager's responsibility to turn over this property and information to the new Project Manager and provide all necessary assistance needed to ensure a smooth transition. It is ARB's intention that access to and redemption of vouchers be seamless to vehicle dealers and purchasers as HVIP funding transitions to each new fiscal year.

### **3.5 Vehicle Activity Reporting**

The purchasers of hybrid vehicles that receive a HVIP voucher must report annually for three years regarding vehicle miles travelled, fleet location, and compliance with the 100 percent operation in California requirement. The Project Manager is responsible for providing ARB with a simple and effective mechanism for requesting and receiving this information from vehicle purchasers. These mechanisms could include U.S. Mail packages with the reporting form and return envelope to be sent by ARB to the vehicle purchaser annually, an internet-based system for the vehicle purchaser to annually report activity, or some other mechanism. ARB will work with the Project Manager to determine the most simple and effective mechanism for ensuring receipt of annual reports.

### **3.6 Documentation of Administrative Costs**

Administrative funds shall only be used for costs associated with project implementation related tasks outlined in the AQIP Funding Plan, the project solicitation, the Implementation Manual, or grant agreement with the Project Manager. Administrative funds shall be used for HVIP administration and outreach including: Project Manager staff time; consultant fees (if pre-approved by ARB); printing, mailing, and travel costs; project monitoring and compliance expenses; and indirect costs such as general administrative services, office space, and telephone services.

The Project Manager must maintain documentation of HVIP funds used for administration and outreach, including:

- Personnel documentation must make use of timesheets or other labor tracking software. Duty statements or other documentation may also be used to verify the number of staff and actual hours or percent of time staff devoted to HVIP administration and outreach.
- Fees for external consultants must be documented with copies of the consultant contract and invoices. All external consultant fees must be pre-approved by ARB.
- Printing, mailing, and travel expenses must be documented with receipts and/or invoices.
- If travel and per diem expenses are used to document project administrative costs funded by the HVIP, the Project Manager must have an official written policy regarding calculation of these costs. The Project Manager's travel cost calculation criteria must be consistent with its written travel policy.
- If indirect costs are used to document project administrative costs funded by the HVIP, the Project Manager must have an official written policy regarding

calculation of these costs. The Project Administrator must maintain documentation for all costs referenced in the indirect cost calculation formula.

The above documentation, records, and referenced materials must be made available for review during ARB or other State agency monitoring visits and audits. These records must be retained for a minimum of two years after submittal of the final HVIP invoice to ARB.

If the Project Manager charges unallowable costs for project administration or outreach, it shall be required to substitute eligible administration and outreach expenses equal to the dollar amount found ineligible, or return the funds for the unallowable cost to the ARB.

### **3.7 In-Kind Services**

The Project Manager is encouraged to contribute in-kind services to improve the HVIP's effectiveness, or match funding to increase the number of vehicles funded. Funds expended on in-kind services must meet all the requirements of Section 3.6 of this Implementation Manual.

### **3.8 Match Funding**

For the purposes of the HVIP, match funding shall include only those funds contributed by the Project Manager directly to the HVIP for the purposes of funding eligible hybrid vehicles. Contributions to similar hybrid vehicle voucher programs or other air quality incentive projects (i.e. in-kind match) are not considered eligible match funds for the purposes of the HVIP. The Project Manager must meet all match funding commitments made in its HVIP application.

Match funding can only be used in two ways – to increase the number of eligible vehicles funded, or to increase the voucher amount provided to eligible vehicles (up to the vehicle's full incremental cost). Match funding must meet the same requirements applicable to HVIP non-match funds, and vehicles purchased wholly or in part with match funding must meet the same requirements as vehicles funded with non-match HVIP funds. *(Should there be a limit on what can be used as match, such as federal or State funds? If so, how should it be structured?)*

Documentation of match funding expended on eligible vehicles must be retained for a minimum of three years after the match-funded voucher has been redeemed.

### **3.9 Earned Interest**

Interest earned by the Project Manager or its designee on HVIP funds must be reported to ARB. All interest income on HVIP funds, including both hybrid vehicle funding and project administration/outreach funding, must be reinvested in the HVIP to fund

additional hybrids trucks or buses. The Project Manager is responsible for reporting to ARB on all vehicles funded with interest earned on HVIP funds.

The Project Manager must maintain accounting records (e.g. general ledger) that tracks interest earned and expended on HVIP funds, as follows:

- The calculation of interest must be based on an average daily balance or some other reasonable and demonstrable method of allocating the proceeds from the interest-generating account back into the program.
- The methodology for tracking earned interest must ensure that it is separately identifiable from interest earned on non-HVIP funds.
- The methodology for calculating earned interest must be consistent with how it is calculated for the Project Manager's other fiscal programs.
- Earned interest must be fully expended by June 30, 2012.

Documentation of interest earned on HVIP funds must be retained for a minimum of three years after it is generated. Documentation of interest expended on eligible vehicles must be retained for a minimum of three years after the interest-funded voucher has been redeemed.

### **3.10 Oversight and Accountability**

Through its administration of longstanding incentive programs such as the Carl Moyer Program, ARB has found that project evaluations and program reviews are essential to ensure that incentive program funds are run in accordance with statutory requirements and that State funds are spent transparently and efficiently. The Project Manager is responsible for working closely with vehicle dealerships and ARB to safeguard HVIP funds from misuse as it implements the HVIP. The Project Manager will work with ARB to identify ways to make the HVIP more transparent, to detect fraud, and to deter misuse of project funds. Vehicle dealers and purchasers participating in the HVIP must provide ARB (or its designee) and the Project Manager access to all requested files and relevant information related to vehicle purchases involving an HVIP voucher.

ARB holds the overarching responsibility for HVIP fund oversight and project accountability. As such, ARB is responsible for monitoring and reviewing the Project Manager's implementation of the HVIP. In the case of a programmatic evaluation or review, the Project Manager must provide ARB or its designee with access to its HVIP files and all other requested program information.

Responsibilities for HVIP oversight are as follows:

- ARB has primary oversight responsibility for the HVIP to ensure transparent and efficient implementation, and that AQIP funds are spent consistent with the requirements of statute, the AQIP Guidelines and Funding Plan, the HVIP solicitation and grant agreement with the Project Manager, and this

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Implementation Manual. ARB reserves the right to conduct a site visit, evaluation, review, or audit the HVIP with a minimum of 48-hour notice for the life of the project grant.

- If the Project Manager detects any potentially fraudulent activity by a vehicle dealer or purchaser, it shall notify ARB as soon as possible and work with ARB to determine an appropriate course of action.
- ARB staff or its designees have primary responsibility for conducting program reviews and/or fiscal audits of HVIP administration and implementation.
- Voucher recipients and the Project Manager must allow ARB, the California Department of Finance, the California Bureau of State Audits, or any authorized designee access, during normal business hours, to conduct HVIP reviews and fiscal audits or other evaluations. Granting of access includes, but is not limited to, reviewing project records, site visits, and other evaluations as needed. Project evaluations or site visits may occur unannounced as ARB staff or its designee deems necessary.

#### Project Non-Performance

ARB or its designee has the authority to recoup HVIP funds which were received based upon misinformation or fraud, or for which a Project Manager, dealership, or vehicle purchaser is in significant or continual non-compliance with this Implementation Manual or State law. ARB also retains the authority to prohibit any entity from participating in the HVIP due to non-compliance with project requirements.

## 4.0 DEFINITIONS

**“ARB-Certified ”** means a vehicle that has been certified as a hybrid vehicle and issued an Executive Order by ARB in accordance with the provisions of *California Interim Certification Procedures for 2004 and Subsequent Model Hybrid-Electric Vehicles, in the Urban Bus and Heavy-Duty Vehicle Classes*, adopted by ARB on October 24, 2002 or subsequent revisions (<http://www.arb.ca.gov/regact/bus02/ip.pdf>)

**“ARB Program Contact”** is the ARB staff person, named in this Implementation Manual, that serves as the point of contact for coordination with the HVIP Project Manager.

**“Commercial vehicle”** means any vehicle or combination of vehicles defined in Vehicle Code Section 15210(b).

**“Dealer”** for the purposes of the HVIP includes dealerships, manufacturers, and TEMs that sell new hybrid medium- or heavy-duty vehicles directly to a vehicle purchaser (see Section 2.4 for dealer eligibility requirements).



**“Earned interest”** means any interest generated from State AQIP funds provided to the Project Manager and held in an interest-bearing account.

**“Federal Heavy-duty Vehicle Tax Credit”** means the tax credit for the purchase of new heavy-duty hybrid motor vehicles as defined in Section 30B(a)(3) and (d) of the Internal Revenue Code.

**“Fleet”** means vehicles traveling in California owned by a person, business, or government agency and consists of one or more vehicles. Vehicles under common ownership or control are considered part of a single fleet even if they are part of different subsidiaries, divisions, or other organizational structures of a company or government agency. Fleet is defined for purposes of determining eligibility for extra \$5,000 HVIP voucher for first vehicle purchased by a single fleet and limit of 100 vouchers for a single fleet.

**“Heavy-duty vehicle”** for the purposes of this program means a motor vehicle having a manufacturer's gross vehicle weight rating greater than 14,000 pounds.

**“Hybrid vehicle”** means any vehicle that can draw propulsion energy from both of the following on-vehicle sources of stored energy: 1) consumable fuel, and 2) a rechargeable energy storage system.

**“Incremental cost”** means the difference in cost between the new hybrid vehicle and the comparable new gasoline or diesel fueled vehicle that would be purchase to perform the same function. For the purposes of the HVIP, a hybrid vehicle incremental cost is assumed to be the amount identified in Table 3 of this Implementation Manual.

**“In-kind services”** means payments or contributions made in the form of goods and services, rather than direct monetary contributions.

**“Match funding”**

**“Medium-duty vehicle”** for the purposes of this program means a motor vehicle having a manufacturer's gross vehicle weight rating of greater than 10,000 pounds but less than or equal to 14,000 pounds.

**“Project Manager”** means the entity selected by ARB via competitive solicitation to administer the HVIP. The responsibilities of the Project Manager are described in Section 2.4 of this Implementation Manual and in the grant agreement between ARB and the Project Manager.